



Alert

CROSS-PRACTICE ISSUES

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Annual Social Security and Medicare Trustees' Reports Released

The Social Security and Medicare Boards of Trustees issued their annual reports on the financial status of the Social Security and Medicare programs today. The reports show that the Medicare Hospital Insurance (HI) Trust Fund will have sufficient funds to cover its obligations until 2031, and that the combined retirement and disability programs of Social Security have sufficient resources to fully cover benefits until 2034.

Medicare

The projected long-range financial condition of Medicare, according to the newly released [2023 Medicare Trustees Report](#), has improved since last year due to an increase in projected HI payroll tax revenue as well as lower projected health-care spending stemming from updated analysis that uses more recent data. The HI trust fund (Medicare Part A) will have sufficient funds to cover its obligations until 2031, up three years from last year's report, with dedicated revenues covering 89% of HI costs at that time. The projected HI deficit over the next 75 years is 0.62% of taxable payroll, down from 0.70% in 2022.

Meanwhile, Supplementary Medical Insurance (SMI) trust fund expenditures for Medicare Part B as a share of gross domestic product (GDP) are also expected to be lower than previously estimated in part due to lower projected spending. Projected spending on prescription drugs under Medicare Parts B and D are expected to be lower than projected last year due to the impact of drug price negotiations and other provisions included in the *Inflation Reduction Act*, which became law in August 2022. The SMI trust fund is projected to remain solvent indefinitely because current law updates financing from general revenues and beneficiary premiums each year to meet the next year's expected costs.

Overall, Medicare's annual cost is projected to rise from 3.9% of GDP in 2023 to 6.0% by 2045 mainly because of the rapid growth in the number of beneficiaries. Medicare cost then increases to 6.1% by 2097 as the health care cost per beneficiary grows, particularly for Medicare Part D.

Social Security

The [2023 Social Security Trustees Report](#) indicates that the solvency of the Old-Age, Survivors, and Disability Insurance (OASDI) trust funds decreased slightly from last year's report, with trustees revising down the expected levels of GDP and labor productivity by about 3% over the projection window. Updated data on inflation and U.S. economic output contributed to the change along with improvements in projection methods and new data and changes in demographic data and assumptions.

The trust funds are projected to have sufficient revenue to pay benefits until 2034, one year earlier than the year 2035 as estimated in last year's report. In 2034, annual revenues will be sufficient to fund 80% of scheduled benefits. The 75-year actuarial deficit for the combined trust funds is estimated at 3.61% of taxable payroll, up from 3.42% as estimated in 2022.

Trustees expect that Social Security's overall cost will grow from 5.2% of GDP in 2023 to 6.3% in 2076. It then declines to 6.0% in 2097. The actuarial deficit equals 1.3% of GDP through 2097, up from 1.2% last year.

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A combined summary of the 2023 Medicare and Social Security trustees' reports is available [here](#).

If you have any questions regarding this *Academy Alert*, please contact Ted Gotsch, content and publications senior analyst, by email (gotsch@actuary.org) or by telephone (202-785-6930).

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